

ATTACHMENT B

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION
CORPORATION,

Plaintiff-Applicant,

v.

BERNARD L. MADOFF INVESTMENT
SECURITIES LLC,

Defendant.

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Liquidation of
Bernard L. Madoff Investment Securities LLC,

Plaintiff,

v.

ESTATE OF JAMES M. GOODMAN;
AUDREY GOODMAN, in her capacity as
Personal Representative of the Estate of James M.
Goodman,

Defendants.

Adv. Pro. No. 08-01789 (SMB)

SIPA LIQUIDATION

(Substantively Consolidated)

Adv. Pro. No. 10-04762 (SMB)

**EXPERT REPORT OF
MATTHEW B. GREENBLATT, CPA/CFF, CFE
SENIOR MANAGING DIRECTOR
FTI CONSULTING, INC.**

**PRINCIPAL BALANCE CALCULATION
AS APPLIED TO
THE GOODMAN DEFENDANTS**

July 12, 2019

Table of Contents

	Page
I. INTRODUCTION.....	1
II. DESCRIPTION OF ACTIVITY IN THE GOODMAN NTC ACCOUNT AND THE TRANSACTIONS IMPACTING THE PRINCIPAL BALANCE CALCULATION.....	2
A. Summary of Activity in BLMIS Account 1G0054 and the Inter-Account Transfer Into the Goodman NTC Account	3
B. Description of the Inter-Account Transfer and the Cash Deposit Into the Goodman NTC Account	3
C. Description of the Cash Withdrawals Out of the Goodman NTC Account	4
III. SIGNATURE AND RIGHT TO MODIFY	5
IV. LIST OF EXHIBITS	6

I. INTRODUCTION

1. As described in my Expert Report regarding the Methodology for the Principal Balance Calculation dated November 15, 2012 (the “Principal Balance Calculation Report”), FTI Consulting, Inc. (“FTI”) was retained by Baker & Hostetler LLP, on behalf of the Trustee, to, among other things, reconstruct the books and records of BLMIS. I am a Senior Managing Director at FTI. Additional information regarding my professional experience and recent testimony is included in my Curriculum Vitae annexed hereto as **Exhibit 1**.

2. As part of FTI’s reconstruction of the books and records of BLMIS, chronological listings of all cash and principal transactions for every BLMIS customer account were compiled. These chronological listings provided the foundation to calculate every BLMIS account holder’s principal balance on a daily basis for all dates from April 1, 1981 through December 11, 2008 (the “Principal Balance Calculation”).

3. The Principal Balance Calculation Report explains the methodology of the Principal Balance Calculation and describes the relevant documents and data that were maintained by BLMIS. Accordingly, this report should be read in conjunction with the Principal Balance Calculation Report.¹

4. This report specifically applies the methodology of the Principal Balance Calculation to the BLMIS account associated with the Estate of James M. Goodman and Audrey Goodman (collectively, the “Defendants”), in the above-captioned litigation, and provides a description of the cash and principal activity in the BLMIS accounts impacting the Principal Balance Calculation for BLMIS Account 1G0320 (the “Goodman NTC Account”).²

5. This report has been prepared in connection with the above-captioned litigation and is to be used only for the specific purposes of this lawsuit. It is not to be used for any other purpose without the express written consent of FTI. If called upon to testify in this matter, I

¹ The opinions that I render in the Principal Balance Calculation Report, the documents that I considered in connection with that Report, and the accompanying Exhibits to that Report, are all incorporated by reference. All capitalized terms not defined herein shall have the meaning ascribed to them in the Principal Balance Calculation Report.

² The name on the Goodman NTC Account changed over the years it was maintained with BLMIS. Prior to March 2004, the account was under the name of “1ST TRUST & CO FBO JAMES M GOODMAN FTC ACCT #xx4571 IRA.” From March 2004 through July 2007, the account was under the name “1ST TRUST & CO FBO JAMES M GOODMAN FTC ACCT #xxxxxxxx0001.” From August 2007 through November 2007, the account was under the name “FISERV TRUST COMPANY FBO JAMES M GOODMAN (xx1278).” From December 2007, the account was under the name “NTC & CO. FBO JAMES M GOODMAN (xx1278).” (See **AMF00186545, MDPTPP03412527-MDPTPP03412536 and MDPTPP03412790-MDPTPP03412801.**)

intend to provide testimony regarding my analyses and conclusions consistent with this report. FTI is being compensated at a rate of \$670 per hour for my professional time incurred in performing the work necessary to prepare this report. FTI's fees are not contingent on the conclusions reached in this report or the outcome of the above-captioned litigation.

6. The documents and data that I considered in connection with this report are listed in **Exhibit 2**. I reserve the right to supplement my report based on any additional documents or information received.

II. DESCRIPTION OF ACTIVITY IN THE GOODMAN NTC ACCOUNT AND THE TRANSACTIONS IMPACTING THE PRINCIPAL BALANCE CALCULATION

7. The Goodman NTC Account was opened with BLMIS in February 2000. Throughout its account history, the Goodman NTC Account had a total of eight cash deposit and withdrawal transactions. In addition to these cash transactions, there was one inter-account transfer from BLMIS Account 1G0054 into the Goodman NTC Account.

8. The cash deposit and withdrawal transactions, as well as the inter-account transfer, all impacted the Principal Balance Calculation for the Goodman NTC Account. Each of these transactions was reflected on the Customer Statements between February 2000 and November 2008.

9. As described in the Principal Balance Calculation Report, the amount of the funds transferred from one BLMIS account to another BLMIS account (an inter-account transfer³) is limited to the amount of principal available in the *transferor's* account at the time of the transfer. Only the portion of the inter-account transfers between BLMIS accounts for which the transferor had actual principal could be transferred. As such, all inter-account transfers have been analyzed and the transferee's account has been credited only up to the amount of principal available in the transferor's account on the day of the inter-account transfer.

10. Thus, in order to perform the Principal Balance Calculation for the Goodman NTC Account, BLMIS Account 1G0054 was analyzed to determine the amount of principal available in that account that could be transferred into the Goodman NTC Account.

³ An inter-account transfer is defined as a non-cash transaction between BLMIS customer accounts in which no new funds entered or left BLMIS, but rather a book entry occurred at BLMIS to internally adjust the balances of those accounts. These book entries did not reflect any transfers of cash because there was no actual movement of cash. Rather, these inter-account transfers merely changed reported value in the purported "equity" maintained in the BLMIS customers' accounts. (See Principal Balance Calculation Report, ¶¶17, 27-28, 32-34.)

11. **Exhibit 3** to this report (Summary Schedule of Cash and Principal Activity in the Goodman NTC Account) provides a summary of the activity in the BLMIS accounts that impacted the Principal Balance Calculation for the Goodman NTC Account.

12. **Exhibits 4A** and **4B** to this report provide detailed schedules for the Principal Balance Calculation for BLMIS Account 1G0054 and the Goodman NTC Account, respectively.

A. Summary of Activity in BLMIS Account 1G0054 and the Inter-Account Transfer Into the Goodman NTC Account

13. On October 31, 1991, there was a cash deposit via check into BLMIS Account 1G0054 in the amount of \$465,684, all representing principal.

14. Subsequent to this initial cash deposit, there was one additional cash deposit into BLMIS Account 1G0054 in the amount of \$677, all representing principal.

15. These two cash deposits provided BLMIS Account 1G0054 with a total of \$466,362⁴ of principal.

16. Between October 31, 1991 and December 11, 2008, BLMIS Account 1G0054 reflected a total of five cash withdrawals⁵ totaling \$700,000.

17. On February 3, 2000, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1G0054 into the Goodman NTC Account in the amount of \$785,624. However, due to the negative principal balance in BLMIS Account 1G0054 at the time of this inter-account transfer, there was no principal available to be transferred into the Goodman NTC Account. Therefore, this amount was not credited as principal into the Goodman NTC Account because this reported inter-account transfer constituted fictitious profits. (*See Exhibit 4A; see also Exhibit 4B* for the Detailed Schedule for the Principal Balance Calculation for the Goodman NTC Account.)

B. Description of the Inter-Account Transfer and the Cash Deposit Into the Goodman NTC Account

18. On February 3, 2000, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1G0054 into the Goodman NTC Account in the amount

⁴ Difference due to rounding.

⁵ These cash withdrawals exclude the line items on the Customer Statement related to a check for \$150,000 issued by BLMIS on January 9, 1998, which was stopped on January 22, 1998. (*See Exhibit 4A* for the Detailed Schedule for the Principal Balance Calculation for BLMIS Account 1G0054.)

of \$785,624. However, as discussed above, this amount was not credited as principal into the Goodman NTC Account because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4A** and **4B**.)

19. Subsequent to this initial inter-account transfer, there was a cash deposit via check into the Goodman NTC Account in the amount of \$40, all representing principal. (See **Exhibit 3**.)

C. Description of the Cash Withdrawals Out of the Goodman NTC Account

20. Between February 3, 2000 and December 11, 2008, the Goodman NTC Account reflected a total of seven cash withdrawals totaling \$1,175,000.

21. The Principal Balance Calculation for the Goodman NTC Account demonstrates that between February 3, 2000 and December 11, 2008, \$1,175,000 was withdrawn from BLMIS, which consisted of \$40 of principal and an additional \$1,174,960 of funds withdrawn in excess of principal, representing fictitious profits. Within the two-year period prior to December 11, 2008, \$350,000 of fictitious profits was withdrawn from the Goodman NTC Account. (See **Exhibit 4B**.)

III. SIGNATURE AND RIGHT TO MODIFY

22. This report and the exhibits contained herein present my findings and the bases thereof. To the extent that any additional information is produced by any party, I reserve the right to incorporate such additional information into my report or to modify my report as necessary.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew B. Greenblatt", is written over a horizontal line.

Matthew B. Greenblatt, CPA/CFF, CFE
Senior Managing Director
FTI Consulting, Inc.

Dated: July 12, 2019

IV. LIST OF EXHIBITS

Exhibit 1 – Curriculum Vitae and Testimony of Matthew B. Greenblatt

Exhibit 2 – Documents Considered

Exhibit 3 – Summary Schedule of Cash and Principal Activity in the Goodman NTC Account

Exhibit 4A – Detailed Schedule for the Principal Balance Calculation for BLMIS Account
1G0054

Exhibit 4B – Detailed Schedule for the Principal Balance Calculation for the Goodman NTC
Account